

Message Text

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E.O. 11652: N/A

TAGS: EGEN, OCON, JA

SUBJ: ECONCOM IX - SUMMARY OF PLENARY SESSIONS

SUMMARY: DURING TWO-DAY SESSION US AND JAPANESE DELEGATIONS COVERED BROAD RANGE OF ECONOMIC ISSUES AFFECTING BOTH COUNTRIES. WHILE BILATERAL TRADE ISSUES RECEIVED LESS ATTENTION THAN IN PREVIOUS SESSIONS, THEY DID OCCASION QUESTIONING BY US OF PERMANENCE OF IMPROVEMENT IN TRADE BALANCE AND QUESTIONING BY JAPANESE ABOUT US EXPORT CONTROLS. ON MULTILATERAL ISSUES, DISCUSSED AT CONSIDERABLE LENGTH, LARGE AREAS OF AGREEMENT FOUND BETWEEN TWO SIDES ALTHOUGH IMPORTANT DIFFERENCES REMAIN ON MONETARY SYSTEM. ENERGY TREATED AS SEPARATE ITEM FOR FIRST TIME. BOTH SIDES AGREED THAT MEETING OF EXPERTS IN NEAR FUTURE

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WOULD BE USEFUL. END SUMMARY.

1. AGENDA ITEM I. OPENING STATEMENTS ON GENERAL ECONOMIC SITUATION BY FOREIGN MINISTER OHIRA AND SECRETARY

ROGERS FOLLOWED PREPARED TEXTS, EXCEPT FOR ADDITION OF REMARK BY SECRETARY ROGERS THAT EXPORT CONTROLS ON FARM PRODUCTS WOULD NOT BE CONTINUED ANY LONGER THAN NECESSARY.

2. AGENDA ITEM II. VOLCKER PRESENTATION CENTERED ON PROBLEM OF INFLATION AND ACTIONS BEING TAKEN TO BRING IT UNDER CONTROL, TREND TOWARD IMPROVEMENT IN OUR BALANCE OF PAYMENTS AND ANALYSIS OF CURRENT EXCHANGE MARKET SITUATION. REITERATED SUPPORT FOR ORDERLY FLOATING SYSTEM IN TRANSITIONAL PERIOD. DR. SEEVERS REVIEWED OVERALL PERFORMANCE OF US ECONOMY, REITERATING PROBLEM OF INFLATION AND ITS CAUSES. HE THEN PREDICTED AS A RESULT OF PHASE IV, PLUS ADMINISTRATION'S FISCAL AND MONETARY POLICIES, THAT PRICE PERFORMANCE SHOULD BE BETTER DURING LAST HALF OF 1973 AND INTO 1974.

3. MR. SCHUBERT DESCRIBED PROBLEMS OF UNEMPLOYMENT AMONG MINORITIES AND TEENAGERS BUT PREDICTED LABOR WOULD CONTINUE TO COOPERATE DURING PHASE IV IF RATE OF INFLATION IS KEPT UNDER CONTROL.

4. MINISTER KOSAKA OF EPA EXPRESSED CONCERN FOR WORLDWIDE INFLATION AND NEED FOR INTERNATIONAL COOPERATION TO COMBAT IT. MINISTER KATO DESCRIBED TIGHT LABOR SITUATION IN JAPAN AS BEING WORSE THAN IN 1960'S.

5. AGENDA ITEM III. JAPANESE LED OFF WITH MINISTER AICHI DESCRIBING THREE MOST IMPORTANT JAPANESE OBJECTIVES AS BEING IMPROVEMENT OF NATIONAL WELFARE, STABILIZATION OF PRICES, AND ACHIEVING BALANCE IN FOREIGN PAYMENTS. HE REVIEWED ACTIONS GOJ HAS TAKEN, SUMMARIZING THAT JAPAN HAD FULLY RESPONDED TO EXPECTATIONS OF THE WORLD. HE PROMISED COOPERATE IN MULTILATERAL NEGOTIATIONS IN GATT FORUM AS MEANS TO COMBAT WORLDWIDE INFLATION.

6. MINISTER NAKASONE LISTED AS MOST IMPORTANT DEVELOP-
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MENTS OF LAST TWO YEARS WOOL AND MANMADE FIBER ARRANGEMENTS, MONETARY READJUSTMENT, LIBERALIZING JAPANESE ECONOMY AND REDUCTION IN TRADE IMBALANCE. HE PREDICTED BILATERAL IMBALANCE WITH US MIGHT GO AS LOW AS \$2 BILLION OR LESS THAN HALF THAT OF LAST YEAR. HE ALSO STRONGLY QUESTIONED US EXPORT CONTROLS AND ASKED WHETHER ACTIONS SUCH AS THOSE TAKEN WITH LOGS AND HIDES COULD NOT HAVE BEEN USED RATHER THAN OUTRIGHT EXPORT CONTROLS. HE FELT THAT SEGMENTS OF BOTH DIET AND PRIVATE INDUSTRY HAD BECOME INCREASINGLY CRITICAL OF GOJ LIBERALIZATION POLICIES BECAUSE OF US EXPORT CONTROLS AND HE URGED US NOT TO SPREAD CONTROLS TO OTHER PRODUCTS.

7. AS EXPECTED, MINISTER SAKARAUCHI STRONGLY CHALLENGED US EXPORT CONTROLS. ALTHOUGH HE UNDERSTOOD REASONS FOR US ACTIONS, HE ASKED THAT US UNDERSTAND AND SYMPATHIZE WITH FEELINGS OF JAPANESE PEOPLE. HE EXPRESSED DISAPPROVAL AND PERPLEXITY THAT US DID NOT HONOR CONTRACTS AND URGED US TO MEET JAPAN'S REQUIREMENTS DURING AUGUST AND ABOLISH CONTROLS ALTOGETHER BY SEPTEMBER. IF CONTROLS WERE EXTENDED TO OTHER CROPS, ESPECIALLY CORN, IMPACT WOULD BE GREAT AND HAVE ECONOMIC, POLITICAL AND SOCIAL IMPLICATIONS. HE SUGGESTED A FORUM FOR EXCHANGING VIEWS ON A CONTINUING BASIS.

8. ON US SIDE AMBASSADOR EBERLE COMMENDED JAPAN FOR PROGRESS MADE IN TRADE AND INVESTMENT LIBERALIZATION. HE URGED JAPAN TO GREATER EFFORTS TO INCREASE IMPORTS OF US CONSUMER GOODS. HE POINTED OUT THAT WHILE RESTRICTIVE POLICIES TO COMBAT INFLATION WERE ESSENTIAL, HISTORICAL EXPERIENCE SHOWED THAT WHEN JAPANESE ECONOMY SLOWED DOWN, IT DIRECTLY AFFECTED IMPORTS FROM US. HE QUESTIONED WHETHER FOREIGN DIRECT INVESTMENT AND AID FLOWS WERE ENOUGH TO OFFSET GLOBAL TRADE SURPLUSES OF 10 TO 15 BILLION DOLLARS PREDICTED IN LONGER TERM BY GOJ AND JAPANESE RESEARCH GROUPS. HE SUGGESTED CONTINUING CONSULTATION TO INSURE INCREASED TRADE BETWEEN US AND JAPAN.

9. CONTINUING US PRESENTATION ON AGENDA ITEM III, SECRETARY DENT NOTED JAPAN IS OUR LARGEST OFFSHORE CUSTOMER.
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SINCE 1971 OUR TRADE WITH JAPAN HAS RISEN IN VALUE BY ABOUT 50 PERCENT. DEFICIT APPEARS TO HAVE PEAKED AS RESULT OF US EXPORT EFFORTS, REVALUATION, REDUCED TRADE BARRIERS AND COOPERATION OF JAPAN. IMPROVEMENT LARGELY ATTRIBUTABLE TO PRICE INCREASES. HE NOTED SOYBEAN PRICES, LIKE MANY AGRICULTURAL PRICES, WERE UP 70 PERCENT. MACHINERY PRICES HAD ALSO RISEN ABOUT 40 PERCENT. SINCE PRICE INCREASES NOT EXPECTED CONTINUE, OTHER ACTIONS NEEDED TO REDUCE OUR DEFICIT FURTHER.

10. DENT URGED GOJ OFFICIALS TO ENCOURAGE IMPORTS SINCE JAPAN'S ANTI-INFLATIONARY PROGRAM WOULD TEND TO REDUCE IMPORTS AND INCREASE EXPORTS..*3C*I&****

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12. DENT URGED GOJ REMOVE REMAINING RESTRICTIONS ON COMPUTERS AND INTEGRATED CIRCUITS AHEAD OF SCHEDULE AND ALSO TO EASE CONTROLS ON FOREIGN INVESTMENT IN RETAIL TRADE. HE ALSO ASKED IMPROVED OPPORTUNITIES FOR AMERICANS BIDDING ON JAPANESE GOVERNMENT PROCUREMENT. HE NOTED WITH APPRECIATION NEW JAPANESE POLICY ON FOREIGN INVESTMENT AND EXPRESSED HOPE THAT FIVE SECTORS STILL RESTRICTED COULD BE LIBERALIZED IN FUTURE. HE SAID WE ENCOURAGE JAPANESE INVESTMENT IN US AND HE WAS GLAD THAT GOJ HAD EXPRESSED SO MUCH INTEREST IN RECENT INVESTMENT SEMINAR.

13. UNDER SECRETARY CAMPBELL BEGAN BY OBSERVING IMPORTANCE OF JAPAN AS A MAJOR MARKET FOR US AGRICULTURE. HE SAID JAPANESE NEEDS ARE ACCOUNTED FOR IN LIMITED OFFICIAL USE
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OUR PRODUCTION PLANS AND THAT JAPAN IS A RELIABLE AND PROVEN MARKET. OUR CURRENT PRODUCTION PROBLEMS ARE TEMPORARY AND WE WANT TO MAINTAIN OUR REPUTATION AS A DEPENDABLE SUPPLIER.

14. OUR JULY 10 CROP REPORTS INDICATE LARGE INCREASES IN PRODUCTION OF WHEAT, SOYBEANS, CORN AND SORGHUM. THIS YEAR WE WILL SUPPLY OUR OWN NEEDS BUT WE MUST ALSO COVER PRODUCTION DEFICITS OF OTHER AREAS. HE SAID HE HAD AGREED TO EXPORT CONTROLS RELUCTANTLY, BUT CONSIDERED THEM NECESSARY SINCE OTHERWISE WE WOULD INCUR SEVERE LOSSES

IN LIVESTOCK PRODUCTION. WE HAVE GIVEN JAPANESE NEEDS EVERY CONSIDERATION AND BELIEVE THEY ARE MET THROUGH SEPTEMBER. FOR OCTOBER WE CANNOT GIVE ANY FIRM GUARANTEES BUT WE WILL SHIP NEW CROP PRODUCTION AS SOON AS POSSIBLE. WE EXPECT JAPANESE WILL BE AGGRESSIVE BUYERS OF NEW CROP AND HOPE EXPORT CONTROLS WILL NOT THEN BE NECESSARY. IF THEY ARE, OLD CONTRACTS WILL BE FILLED FIRST. IN MEANTIME, WE ARE LICENSING 100 PERCENT OF SOYBEANS GROWN SPECIFICALLY FOR HUMAN CONSUMPTION.

15. HE ASKED JAPANESE TO EASE TARIFF AND NON-TARIFF BARRIERS ON FRESH ORANGES AND FRUIT JUICE. HE ALSO SUGGESTED HEALTH AND SANITARY REGULATIONS BE REDUCED WHEN THEY INTERFERE WITH TRADE.

16. MINISTER NAKASONE SAID JAPAN WANTS TO SOLVE TRADE DEFICIT PROBLEM. JAPANESE ECONOMY IS ENJOYING A STRONG RECOVERY, BUT HAS NOT QUITE REACHED A POINT WHERE IT WOULD BE INVESTING MORE IN PLANT AND EQUIPMENT, THEREFORE HEAVY INDUSTRIAL ORDERS ARE LAGGING.

17. HE ASKED WHETHER US EXPORTERS ARE MATCHING JAPANESE EFFORTS TO INCREASE SALES. HE SAID US BUSINESSMEN ARE "NOBLE KNIGHTS BUT WE JAPANESE ARE HARD-WORKING MERCHANTS." HE AND HIS COLLEAGUES SHARE VIEW THAT HARD WORK IS WAY TO INCREASE EXPORTS.

18. SAKARAUCHI OBSERVED THAT US EXPORTS WERE GROWING AS JAPANESE DEMAND WAS INCREASING, BUT THOSE IMPORTS WERE NOT NECESSARILY CHEAPER AND THERE WERE ALSO SHORT-LIMITED OFFICIAL USE
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AGES. SOYBEAN AND FOOD PRICES ARE UP. JAPAN HAD PASSED LEGISLATION AGAINST SPECULATION IN EFFORT TO CONTROL PRICES. SAKARAUCHI RECALLED THAT HE HAD ASKED PUBLICLY WHETHER US WAS FOLLOWING WISE POLICIES BUT NOW FELT SOMEWHAT RELIEVED AFTER HEARING SECRETARY ROGERS' OPENING COMMENTS.

19. AGENDA ITEM IV: INTERNATIONAL TRADE AND ECONOMIC AFFAIRS: UNDER SECRETARY VOLCKER NOTED THAT SWEEPING, FAR REACHING NEGOTIATIONS WERE TAKING PLACE COVERING VIRTUALLY ALL ASPECTS OF INTERNATIONAL ECONOMIC LIFE, DESIGNED TO SET PATTERN FOR GENERATION. WHILE TECHNICAL ASPECTS OF TRADE, MONETARY SYSTEM, INTERNATIONAL INVESTMENT, ECONOMIC DEVELOPMENT AND ENERGY HAD TO BE DEALT WITH SEPARATELY, ALL WERE INTER-RELATED. SAID U.S. PROCEEDED IN ALL THESE NEGOTIATIONS ON CERTAIN BASIC PREMISES THAT HE THOUGHT MOST COUNTRIES COULD ADHERE TO: (1) THERE WAS NEED FOR CODIFIED RULES OF CONDUCT; (2) RULES MUST BE WORKABLE, FAIR AND REASONABLE;

(3) WORLD ECONOMY HAS CHANGED. NO ONE NATION IS DOMINANT. THERE ARE NOW SEVERAL ECONOMIC POWER CENTERS AND NOTHING IS MORE STRIKING THAN GROWTH OF JAPAN. PRESENT SITUATION IS WELCOME IN ITSELF, BUT IT CREATES CHALLENGES FOR ALL; (4) ECONOMIC INTERDEPENDENCE HAS INCREASED RAPIDLY; (5) IN REGARD TO TRADE AND INVESTMENT IT IS POSSIBLE FOR EVERY PARTICIPANT TO GAIN AS SIZE OF THE PIE INCREASES, EVEN THOUGH WE MAY ARGUE AMONG OURSELVES ABOUT HOW THE GAINS ARE TO BE DISTRIBUTED.

20. AFTER LISTING BASIC PREMISES UPON WHICH NEGOTIATIONS SHOULD TAKE PLACE, HE THEN LISTED GOALS WHICH ALL SHOULD SEEK:

(1) EACH COUNTRY IS ENTITLED TO PROMOTE ITS OWN ECONOMIC GROWTH AND STABILITY, RESPECT ITS OWN CHARACTER AND INSTITUTIONS - BUT MUST ALSO RESPECT THOSE OF OTHERS.

(2) TRADING AND INVESTMENT SYSTEM SHOULD BE OPEN, LIBERAL WITH MAXIMUM RELIANCE ON MARKET FORCES. BARRIERS MUST BE REDUCED.

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(3) THE ECONOMIC SYSTEM MUST AIM FOR EQUAL RIGHTS AND OBLIGATIONS FOR ALL.

(4) DEVELOPED COUNTRIES MUST PROVIDE MORE EFFECTIVE AID TO DEVELOPING NATIONS.

21. UNDER SECRETARY VOLCKER SAW NO CONFLICT BETWEEN HIS VIEWS AND JAPAN'S CONCEPT OF "ONE WORLD." SETTING OBJECTIVE OF A ONE WORLD ECONOMY WOULD PROVIDE EQUALITY AND A SENSE OF BALANCE FOR ALL. FULFILLMENT OF GOALS WOULD REQUIRE MAJOR CHANGES WHICH WOULD BE UNCOMFORTABLE.

22. AGENDA ITEM IV (1) MONETARY AFFAIRS: VOLCKER DESCRIBED MONETARY REFORM AS INTERMEDIATE OBJECTIVE ESSENTIAL TO TRADE, INVESTMENT AND ECONOMIC DEVELOPMENT. US MONETARY PROPOSALS TAKE ACCOUNT OF IDEAS HELD BY OTHER COUNTRIES, SUCH AS CONVERTIBILITY, PAR VALUE SYSTEM COMBINED WITH NEW FLEXIBILITY IN RATES AND ADJUSTMENT PROCESS AND AVOIDING EXCESSIVE DEPENDENCE ON CONTROLS. EFFECTIVE DISCIPLINE NEEDED IN ADJUSTMENT PROCESS - THIS HEART OF SYSTEM. US HAS MADE SPECIFIC PROPOSALS TO ACHIEVE THIS DISCIPLINE THROUGH INTRODUCTION OF OBJECTIVE INDICATORS WHICH WOULD BE SYMMETRICAL, EVEN HANDED IN APPLICABILITY, NOT AIMED AT ANY ONE COUNTRY. WOULD PUT ESTABLISHMENT OF A NEW INTERNATIONAL RESERVE ASSET AT CENTER OF SYSTEM AND DIMINISH ROLE OF GOLD AND RESERVE CURRENCIES WHILE RETAINING SOME ELAS-

TICITY, INCLUDING EXCHANGE RATE. U.S. MAKING EXTENSIVE
EFFORT ACHIEVE AS MUCH AGREEMENT AS POSSIBLE TOWARD
WORKABLE SYSTEM BY TIME OF IMF MEETING IN SEPTEMBER.
JAPAN CAN PLAY A CRUCIAL ROLE THROUGH CONSTRUCTIVE CRITI-
CISM AND SUGGESTIONS DURING FORTHCOMING NEGOTIATIONS.

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23. IN RESPONSE FINANCE MINISTER AICHI AGREED THAT
MONETARY PROBLEM AFFECTED OTHER AREAS. SUGGESTED INTEN-
SIFYING REFORM EFFORT TO CREATE STABLE SYSTEM AT
EARLIEST POSSIBLE TIME. GENERAL FLOATING SYSTEM NOW
INEVITABLE BUT STABLE DEVELOPMENT COULD BE HAMPERED IF
LEFT THAT WAY. HE WANTED MORE COMMUNICATION WITH U.S.
AND HOPED U.S. WOULD TAKE FLEXIBLE ATTITUDE.
GOJ BELIEVED FUTURE SYSTEM MUST BE BASED
ON A "ONE WORLD CONCEPT," THAT EXCHANGE RATES SHOULD BE
MORE FLEXIBLE BUT STABLE AND BASED ON A PAR VALUE
SYSTEM. COUNTRIES SHOULD REFRAIN FROM USING
EXCHANGE RATE POLICY IN CORRECTING IMBALANCES UNTIL
DOMESTIC ACTION HAD BEEN THOROUGHLY TRIED.
ROLE OF SDR AS AN ASSET SHOULD BE PROMOTED AND ROLE
OF GOLD IN SYSTEM SHOULD BE REVIEWED. ASSET SETTLE-

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MENT -CONVERTIBILITY OF THE DOLLAR WAS A PREREQUISITE. WITH REGARD TO CAPITAL FLOWS, JAPAN BELIEVED THT COUNTRIES IN DEFICIT HAD OBLIGATION TO CONTROL OUTFLOWS OF FUNDS WHILE SURPLUS COUNTRIES SHOULD PROMOTE EXPORTS OF CAPITAL. COUNTRIES SHOULD BE MORE DISCIPLINED IN TAKING ACTIONS WHICH AFFECTED OTHERS.

24. IN CONCLUDING MINISTER AICHI COMMENTED THAT IN PERIOD IMMEDIATELY AHEAD STABILITY OF PRESENT MONETARY SYSTEM DEPENDED ON EACH AND EVERY COUNTRY TAKING CONCERTED ACTION TO DEAL WITH INFLATION. USE OF "SWAPS" COULD CONTRIBUTE TO STABILITY. IN TAKING ACTIONS, ALL COUNTRIES SHOULD CONSIDER NOT ONLY DOMESTIC IMPACT OF THEIR ACTIONS, BUT ALSO EXTERNAL EFFECTS.

25. AGENDA ITEM IV (2): MULTILATERAL TRADE NEGOTIATIONS. BOTH DELEGATIONS AGREED ON BROAD PRINCIPLES THAT NEGOTIATIONS SHOULD (A) SEEK BALANCED ADVANTAGES, MUTUAL COMMITMENTS, AND OVERALL RECIPROCITY; (B) DEAL WITH TARIFFS, NON-TARIFF BARRIERS, AND OTHER MEASURES WHICH IMPEDE TRADE IN INDUSTRIAL AND AGRICULTURAL COMMODITIES; (C) AIM AT LONG RANGE ELIMINATION OF TARIFF BARRIERS WHILE REALIZING SUBSTANTIAL REDUCTION IN COMING ROUND; (D) REDUCE NTB'S INsofar AS POSSIBLE, AND (E) ESTABLISH MULTILATERAL SAFEGUARD MECHANISM. AMB EBERLE STRESSED THAT POLITICAL GUIDANCE FOR TRADE NEGOTIATIONS AND TIME FRAME FOR NEGOTIATIONS SHOULD EMERGE FROM TOKYO GATT MINISTERIAL MEETING IN SEPTEMBER. EBERLE AFFIRMED USG'S HOPE THAT NEGOTIATIONS COULD COMMENCE SHORTLY AFTER MINISTERIAL MEETINGS AND BE COMPLETED BY FALL OF 1975. BOTH DELEGATIONS AGREED NEGOTIATIONS ON MONETARY REFORM AND TRADE LIBERALIZATION SHOULD PROCEED IN SEPARATE FORA, ASSESSING PROGRESS AT PERIODIC INTERVALS TO ASSURE COMPATIBILITY OF RESULTS. WITH RESPECT TO AGRICULTURAL TRADE, GOJ PRESENTATIONS EMPHASIZED ITS STEADY EXPANSION WITH SPECIAL ATTENTION TO ASSURING STABLE SUPPLIES OF IMPORTANT COMODITIES WHILE RECOGNIZING SPECIAL FEATURES OF AGRICULTURAL SECTOR. U.S. PRESENTATION NOTED THE IMPORTANCE OF TRADE EXPANSION, BUT PLACED MORE EMPHASIS ON MARKET ORIENTED OFFICIAL USE LIMITED OFFICIAL USE

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ENTATION RATHER THAN SPECIAL POLITICAL CONSIDERATIONS.

25. GOJ DELEGATION EXPRESSED CONCERN OVER ESCAPE CLAUSE AND ANTIDUMPING CASES PRESENTLY BEING CONSIDERED

BY U.S. TARIFF COMMISSION. MINISTER NAKASONE EXPRESSED SOME CONCERN ABOUT USG REQUIREMENTS ANNOUNCED ON JULY 6 WHICH HE UNDERSTOOD INVOLVED VALIDATION OF EXPORTS OF RAW COTTON. HE EXPRESSED HOPE THAT US WOULD NOT TAKE UNILATERAL ACTION TO RESTRICT RAW COTTON EXPORTS. SECRETARY DENT EXPLAINED THAT THESE MEASURES DO NOT REQUIRE VALIDATION OF CONTRACTS, BUT ARE DESIGNED TO DEVELOP FULLER MARKET INFORMATION BY REQUESTING INFORMATION FROM U.S. SHIPPERS ABOUT RAW COTTON EXPORTS.

26. AGENDA ITEM IV (3). INTERNATIONAL INVESTMENT MATTERS. MITI MINISTER NAKASONE EXPRESSED HIGH PRAISE FOR RECENT COMMERCE DEPARTMENT-SPONSORED "INVESTMENT IN USA SEMINAR." HE SUGGESTED, HOWEVER, THAT IN VIEW OF DEARTH OF INFORMATION AMONG JAPANESE BUSINESSMEN ABOUT INVESTMENT CLIMATE IN U.S., SUCH SEMINARS SHOULD BE REPEATED FREQUENTLY IN FUTURE. IN THE DISCUSSION OF INTERNATIONAL INVESTMENT USG DELEGATES EMPHASIZED NEED FOR GUIDELINES TO AVOID DISTORTION OF BOTH TRADE AND INVESTMENT AND URGED JAPAN TO SUPPORT DISCUSSIONS IN OECD. ALSO URGED CONTINUED COOPERATION IN DEALING WITH EXPROPRIATION OF FOREIGN COMPANIES.

27. AGENDA ITEM V, ENERGY MATTERS. JAPANESE SIDE STRESSED ITS CONCERN THAT RECENT RISE IN WORLD CONSUMPTION IN ENERGY MIGHT LEAD TO SHORTAGES, ESPECIALLY OF OIL. MITI MINISTER NAKASONE CALLED FOR COOPERATION WITHOUT CONFRONTATION BETWEEN OIL PRODUCING AND OIL CONSUMING COUNTRIES. JAPANESE EXPRESSED INTEREST IN COOPERATION IN DEVELOPING RESOURCES IN SIBERIA, AND REAFFIRMED GOJ'S INTENTION TO GET ITS SUPPLY OF ENRICHED URANIUM FROM U.S. THEY ALSO SUGGESTED JOINT US-JAPAN RESEARCH EFFORTS ON NEW ENERGY SOURCES.

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28. SECRETARY ROGERS STRESSED ELEMENTS THAT SHOULD BE INCLUDED IN SOUND INTERNATIONAL ENERGY POLICY COOPERATION BETWEEN PRODUCING AND CONSUMING COUNTRIES: NO DESTRUCTIVE COMPETITION AMONG OIL CONSUMING NATIONS; EFFECTIVE MECHANISM FOR EMERGENCY SHARING; MULTINATIONAL EFFORTS TO EXPAND OIL AND GAS PRODUCTION IN SOVIET UNION AND ELSEWHERE; AND POOLING OF RESEARCH AND DEVELOPMENT EFFORTS. HE REFERRED TO AGREEMENT AT TANAKA-NIXON SUMMIT IN HAWAII LAST YEAR TO ESTABLISH JOINT WORKING GROUP TO STUDY FEASIBILITY OF CONSTRUCTING URANIUM ENRICHMENT PLANT IN U.S. LAUDED PROGRESS MADE SO FAR. HE URGED EARLY DECISIONS AND COLLECTION OF CAPITAL TO INURE THE CONSTRUCTION OF

THE FIRST NEW PLANT BY 1983.

29. VOLCKER, REFERRING TO MUTUALLY BENEFICIAL COOPERATION BETWEEN JAPAN AND THE U.S. IN THE DEVELOPMENT OF SIBERIAN RESOURCES, CAUTIONED AGAINST THE APPARENT TENDENCY OF THE SOVIETS TO PLAY ONESIDE AGAINST THE OTHER. MR. LAY OF INTERIOR REVIEWED PRESIDENT NIXON'S PROGRAM TO IMPROVE THE U.S. ENERGY SITUATION THROUGH NEW INCENTIVES TO DEVELOP DOMESTIC NATURAL GAS RESOURCES EARLY PIPELINE DEVELOPMENT FOR ALASKAN OIL, INCREASING OF PETROLEUM REFINING CAPACITY AND REDUCING THE GROWTH OF ENERGY CONSUMPTION.

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HE ALSO OUTLINED U.S. EFFORTS TO DEVELOP NUCLEAR, FOSSIL, GEOTHERMAL, AND SOLAR ENERGY SOURCES. HE STRESSED THE NEED FOR GREATER US-JAPAN JOINT RESEARCH AND DEVELOPMENT ON NEW FORMS OF ENERGY.

30. THE JAPANESE SIDE COMMENTED FAVORABLE ON U.S. EFFORTS AND AGAIN STRESSED THE IMPORTANCE OF U.S.-JAPANESE COOPERATION. NAKASONE URGED QUIET MEETINGS BETWEEN US-JAPANESE EXPERTS ON ENERGY QUESTIONS BE HELD IN THE NEAR FUTURE. HE ALSO ASKED HOW THE US AND JAPAN COULD INDUCE OIL PRODUCING COUNTRIES TO PRODUCE MORE. NAKASONE ALSO REFERRED TO JAPANESE ANXIETIES REGARDING

JAPAN'S HEAVY RELIANCE ON THE INTERNATIONAL MAJORS. US
REPLIED TO THESE POINTS BY REFERRING TO EFFORTS TO ENCOUR-
AGE MORE INVESTMENT BY PRODUCERS IN CONSUMING COUN-
TRIES WHICH WOULD LEAD TO INCREASED PRODUCTION AND AT
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SAME TIME IMPROVE BALANCE OF PAYMENTS. AS TO JAPAN'S
CONCERN ABOUT ITS HEAVY RELIANCE ON INTERNATIONAL MAJORS,
US SAID THAT IT WOULD NOT PUT PRESSURE ON THE
MAJORS EVEN IN TIMES OF US DOMESTIC SHORTAGES TO SUPPLY
US AT EXPENSE OF OTHER COUNTRIES. IT WAS ALSO
STRESSED THAT LONG RANGE SOLUTION TO THIS PROBLEM
WAS TO CREATE A WORLD ENVIRONMENT THAT WOULD INSURE A
STABLE SUPPLY.

31. AGENDA ITEM VI (1) - ASSISTANCE TO LDC'S
SECRETARY COMMENDED JAPAN'S RECENT PERFORMANCE IN AID
FIELD AND STRESSED US COMMITMENT WHICH REMAINS STRONG
DESPITE LEGISLATIVE DIFFICULTIES. US IS TAKING NEW
APPROACH TO MAXIMIZE EFFECTIVENESS OF AVAILABLE RESOURCES
AND STRESS HUMANITARIAN NEEDS. CRITICAL PROBLEM OF
PROTECTING PRIVATE INVESTMENT IN LDC'S COULD BEST BE
SOLVED THROUGH MULTILATERAL APPROACH. IN SHORT TERM,
US FOCUSING ON HUMANITARIAN ASSISTANCE AND RECONSTRUC-
TING SOCIAL INFRA-STRUCTURE IN VIETNAM. HE EXPRESSED
PLEASURE THAT WE WILL BE DISCUSSING INDOCHINA RECONSTRUC-
TION ON BILATERAL BASIS IN TOKYO LATER THIS MONTH.

32. FOREIGN MINISTER OHIRA NOTED THAT JAPAN IS ALSO
SHIFTING EMPHASIS OF ITS AID PROGRAM FROM INDUSTRIAL AND
TRANSPORTATION SECTORS TO HUMANITARIAN FIELDS, INCLUDING
AGRICULTURE. JAPAN PLANS TO INCREASE QUANTITY AND
IMPROVE QUALITY OF ASSISTANCE, AND EXPAND BEYOND ASIA
TO LATIN AMERICA AS WELL AS AFRICA AND MIDDLE EAST.
OHIRA ASKED FOR FURTHER US EFFORTS ON AID TO ASIA
(SPECIFICALLY INCLUDING ADB AND INDOCHINA) AND GREATER
CONTRIBUTION TO TRADE WITH LA J
S.

33. MINISSA AICHI NOTED DIFFICULTIES WHICH INCREASED
DOMESTIC REQUIREMENTS (IMPROVEMENT OF SOCIAL INFRA-
STRUCTURE AND ENVIRONMENT) CREATE FOR FOREIGN AID
PROGRAM, BUT ASSERTED THAT JAPAN WOULD OVERCOME
THESE DIFFICULTIES IN ORDER TO MEET ITS FOREIGN AID
RESPONSIBILITIES. HE NOTED RECENT FINAL JAPANESE PAY-
MENT ON GARIOA, CITED GARIOA NOTE OF JANUARY 9, 1962,
WHICH REFERRED TO IMPROVING ASSISTANCE TO DEVELOPING
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COUNTRIES, AND EXPRESSED HOPE THAT US WOULD MAKE GREATER CONTRIBUTIONS TO INTERNATIONAL LENDING INSTITUTIONS SO AS TO STIMULATE EUROPEAN COUNTRIES TO DO LIKEWISE.

34. UNDER SECRETARY VOLCKER REVIEWED ADMINISTRATION EFFORTS WITH RESPECT TO ADB, IDA AND WORLD BANK'S ROLE IN INDOCHINA RECONSTRUCTION. HE REFUTED MINISTER NAKASONE'S REMARK THAT LDC'S FEEL DISADVANTAGED BY RECENT CURRENCY REVALUATIONS, NOTING THAT THEY HAD DECIDED TO DEVALUE ALONG WITH DOLLAR.

35. AGRICULTURE MINISTER SAKURAUHVI MENTIONED DEMANDS FOR JAPANESE FOOD AID WHICH EXCEED AVAILABLE RESOURCES, AND CITED CONNECTION BETWEEN THIS PROBLEM AND US EMBARGO ON SOYBEAN EXPORTS, SINCE JAPAN MUST DECIDE WHETHER TO USE RICE SURPLUSES FOR ANIMAL FEED AT HOME OR FOR HUMANITARIAN ASSISTANCE ABROAD.

36. OTHER MATTERS.

(A) CONSULTATIONS ON TRANSPORTATION. BOTH GOJ AND US REPRESENTATIVES AFFIRMED VALUE OF BILATERAL CONSULTATIONS CONDUCTED THROUGH US-JAPAN TRANSPORTATION RESEARCH PANEL, PARTICULARLY IN SUCH AREAS AS MARINE OIL POLLUTION, HIGHWAY AND AIRCRAFT NOISE POLLUTION, TRAFFIC CONTROL, ETC. MR. BINDER, NOTING CHALLENGE POSED BY DEMANDING AIR QUALITY STANDARDS CONTAINED IN CLEAN AIR ACT, SUGGESTED UTILITY OF FURTHER EXTENDING THESE EXCHANGES BEYOND THEIR ORIGINAL EMPHASIS ON NEW TECHNOLOGY AND ENVIRONMENTAL IMPACT TO INCLUDE BROADER FIELD OF TRANSPORTATION CONTROL STRATEGIES. HE PROPOSED THAT COOPERATION IN THIS FIELD MIGHT BE MOST USEFULLY FOCUSED ON SHARING INFORMATION ON METHODOLOGIES AND EXCHANGING VIEWS ON POLICY ISSUES.

(B) AVIATION. BOTH MR. BINDER AND SECRETARY DENT UNDERSCORED US DESIRES FOR GOJ ACTION TO REMOVE LIMITATIONS ON PASSENGER AND AIR CARGO CHARTERS OPERATED BY SUPPLEMENTAL CARRIERS. VICE MINISTER OF TRANSPORTATION SATO INDICATED WILLINGNESS TO DISCUSS THIS MATTER AT LIMITED OFFICIAL USE
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COUNTERPART LUNCHEON, BUT NOTED THAT JAPANESE ALSO HARBOR SOME DISSATISFACTIONS WITH EXISTING BALANCE OF AVIATION RIGHTS.

(C) CONTAINER TRANSPORTATION. MR. BINDER NOTED THAT TRANSPORT OF GOODS VIA CONTAINERS, PARTICULARLY WHEN MOVED BOTH BY SEA AND LAND PRIOR TO DESTINATION,

ARE ENCOUNTERING RESTRICTIONS, E.G. CONTAINERS EFFICIENT FOR SEA TRANSPORT ARE FREQUENTLY TOO LARGE TO MEET RULES REGULATING OVERLAND TRANSIT. HE PROPOSED JOINT EFFORTS TO IDENTIFY POTENTIAL RESTRAINTS OF THIS KIND.

(D) LABOR. US AND GOJ REPRESENTATIVES AFFIRMED VALUE OF JOINT LABOR STUDIES AND EXCHANGES PROGRAMS. MINISTER KATO'S PROPOSAL FOR FUTURE JOINT STUDY ON ROLE AND STATUS OF WOMEN IN THE ECONOMY, WAS RECEIVED WARMLY BY MR. SCHUBERT AND DR. SEEVERS.
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